Office of Financial Management
Division of Risk Management

BUDGET
RISK MANAGEMENT GOAL DEVELOPMENT

Checklist and Sample Goals

It's impossible to create a model risk management goal strategy list that fits all agency types. Agencies differ significantly in size and mission—and the inherent risks of that mission. Instead this document contains a checklist of questions and statements designed to help stimulate ideas for creating agency-unique approaches to managing risk. These approaches can be transformed into goals that are included in the risk management section of the budget.

1. Organizational Structure - Risk Management "Function"

- Does your agency have an officially "established" risk management person or function (even if it is a duty of another position or spit between two or more positions)?
- If your agency splits "risk management" responsibilities for tort claims among other positions (HR, budget, administration, facilities, etc.), are roles and responsibilities clearly defined and lines of communication and coordination established?
- Is this current arrangement adequate for your needs now and into the future with *added emphasis on risk management* that is tied to the budget?
- Does your agency "risk manager" (whether a separate position or partial duties of another position) have a clearly defined role and fully understand their responsibilities in coordinating all activities currently in place or needed in the future to manage risk?
- Has your agency risk manager received training in risk management basics?
- Has the role and responsibilities of the agency risk manager been communicated to agency managers at all levels and are they expected to cooperate/coordinate with the agency risk manager as needed in mitigating or preventing risk?
- Does the agency "risk management" position formally coordinate and communicate with similar positions in the agency such as workplace safety and health (sometime there is overlap of risk issues, i.e., environmental safety/health issues, fire prevention, security).
- Does the "risk manager" formally coordinate and communicate with key areas of the agency that impact various aspects of risk management such as: budget, personnel, facilities, AAG?
- Does the risk manager foster a close working relationship with agency programs/departments/divisions that have had claims or that inherently have more risk?
- Is the executive management team knowledgeable about the role and responsibilities of the designated risk manager and do they interface when needed?

Summary: Agencies need to analyze whether organizational improvements are needed in the designated "risk management" function of the agency to determine if there is an adequate level of visibility, accountability, and activity in the management of agency risk for tort claims. Potential areas to address are current effectiveness of the designated risk management position/function, adequately defined role/responsibilities for the risk manager, and adequate communication lines throughout the organization regarding risk management and loss prevention.

Objectives: To determine the most effective positioning of resources that serves to *"institutionalize"* and *integrate* the management of risk into the overall agency mission and day-to-day business operations for sustained risk management. This is also referred to as *enterprise risk management*.

Resources: See the "*Loss Prevention Guide"* and "*Risk Self-Assessment Guide"* on the OFM Risk Management Division website at http://www.ofm.wa.gov/rmd/index.htm and the *Risk Identification: A Guide for Small Public Entities"* publication at the Public Entity Risk Management Institute (PERI) website at http://www.riskinstitute.org/.

Potential Goals	Measure
1. Determine if the agency designated risk management function is currently meeting the needs of the agency to adequately address risk management needs and loss prevention priorities on any agency-wide basis.	Completed assessment of risk management function in the agency.
2. If changes determined by above…	Implemented identified changes (may be comprised of several separate goals).
3. "Risk Manager" role and responsibilities identified in writing.	1. Formal role is determined and created (if none existed before. 2. Role and responsibilities addressed in written policies communicated to all levels of agency managers. **3. All policies developed reviewed by AAG prior to publication.**
4. If current risk management function/position is adequate, determine if there is adequate coordination and matrixing to key administrative areas: HR, budget, facilities, AAG and program managers (particularly high-risk programs.	1. Assessment completed of agency communication and/or coordination of risk management function (s). 2. Specific goals identified for implementation or change in existing structure. 3. Strategies identified in goals above are implemented.
5. Risk manager attends risk management training or accesses and uses other loss prevention resources offered by RMD or other loss prevention entities.	1. Risk manager attends one (indicate number) risk management training class (es) per year (or whatever timeframe desired). 2. The risk manager regularly communicates agency risk management goals and loss prevention strategies as follows (identify activities):

2. Management Commitment, Accountability and Oversight

- Does the agency currently have a written risk management policy statement that outlines executive management's commitment or expectations for reducing tort claim losses?
  *Note: There is no statutory requirement for this type of policy—see the resources listed below for sample policies. **AAG review** is recommended when new policies are developed.*
- If a risk management policy is not used, does the agency have an effective alternative means of communicating agency commitment to and emphasis on loss prevention activities?
- Is there a agency-wide risk management "committee" or function made up of key administrative personnel, e.g., risk manager, budget staff, HR, facilities/security, AAG, safety and health manager (if one exists), key program managers, etc.?
- *Note: There is no statutory requirement for a risk management committee. There is a statutory requirement for a safety committee made up of manager and employee representatives who address employee workplace safety and health issues.*
- Would a risk management committee be a convenient and/or effective forum for addressing agency risk management needs, including establishing risk management goals for the budget process?
- Are there alternative forums already established in the agency where risk management business or communications could be included such as: agency management team meetings, periodic reports or communications from the agency risk manager to administrative and program managers, etc. The more "enterprise-wide" risk management becomes, the better.
- Is the executive management team regularly briefed on agency risk management issues or is risk management otherwise included as a regular or periodic agenda item for their meetings?
- Does the executive team encourage their managers to communicate agency risk management, goals, strategies, and information down to the level of first line supervisors?
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Summary: Has the agency identified an effective strategy for formally communicating executive commitment and support for managing risk to all levels of management? Are managers at all levels held accountable for the risk management performance of the agency and is that performance reviewed on a periodic basis (even when losses are low)?

Objectives: To educate and establish accountability with supervisors and managers' about the need to include risk mitigation as an essential element of providing state services to citizens of the State of Washington.

Resources: See the "*Loss Prevention Guide"* and "*Risk Self-Assessment Guide"* on the OFM Risk Management Division website at http://www.ofm.wa.gov/rmd/index.htm and the *Risk Identification: A Guide for Small Public Entities"* publication at the Public Entity Risk Management Institute (PERI) website at http://www.riskinstitute.org/.

Potential Goals	Measure
1. Develop a written risk management policy signed by the agency executive	Written policy produced, published, disseminated (*reviewed/approved by AAG*).
2. If not a policy, a memo from the director/college president outlining commitment and support for reducing tort loss sent to all agency managers. Periodic memos as needed.	Memo or letter sent to agency managers on risk management commitment. Periodic updates on risk management status sent.
3. Discussion/review of tort claims and lawsuits added as regular agenda item at management team meetings or other periodic management forums already in place in the agency.	1. Process implemented to conduct a review and discuss tort claims that have occurred and identify prevention strategies. 2. New areas of risk concern discussed and goals established for prevention purposes. 3. Prevention strategies identified in goals and are implemented.
4. **OR** Form a Risk Management Committee for ongoing review of loss and development of prevention or mitigation strategies	1. Risk management committee formed (i.e., reps. from Administration, Budget, HR, Facilities, AAG, Employee Safety & Health, Key Program Mgrs., etc.) 2. Periodic meeting schedule established
5. Enhance agency manager awareness or risk management. Provide overview training for agency managers on • the basics of tort claims • review agency losses for past 10 years-use loss history profile reports provided by RMD • review Risk Management Task Force and executive order (why we got where we are) • Discuss risk management goals selected for budget process • Discuss premium costs--show relationship of tort loss and the impact it has on the agency's budget.	A 1-hour overview awareness training developed and conducted/presented to all agency managers covering subjects listed to the left (more subjects depending on agency needs). Agency presenters may include: risk manager, AD's or department heads, AAG. RMD could be invited to participate also.
6. Require a review of the agency's risk management and loss prevention strategies in orientation for <u>all</u> new agency managers.	Process developed to include tort loss prevention/risk management in new manager orientation.
7. Periodically send program managers a status report of their claims.	Process developed to send claim status reports to all agency managers on a periodic basis.
8. Assign tort claim reduction goals at the agency or program level for the highest areas of historic or potential new risk.	Tort claim number reduction assigned to agency or program. Example: Reduce the number of employee personnel practices/auto claims by ___%. Then specific goals would be identified to achieve this intended reduction.
9. Tort loss success is recognized.	Tort loss reductions or "0" tort loss records are shared with managers and managers thanked for results. <u>Reminder:</u> Keep in mind that in spite of high awareness and attention to tort loss reduction, tort losses can still occur.

3. Communication

- Has a notification/information sharing process been established for review and action on the **quarterly reports** (listing of tort claims provided by RMD)? Determine if (1) there is a process for a quarterly report review by an agency representative designated to receive it (with authority to act on findings); and (2) if that person is responsible for sharing/communicating information from the report with others, e.g., program mangers, HR, facilities, AAG, safety and health/security, executive team (especially if an incident is/could be high profile). *Note: If a risk management committee or similar forum were established, a quarterly review of claims would likely be a part of the committee's responsibilities.*
- Has an agency representative been appointed to coordinate tort claims activities, i.e., progress or status of claims, investigation activities, drafting recommend prevention/mitigation strategies, or other agency actions necessary as a result of tort claims?
- Also, what process is in place for notification of key agency staff regarding claims that evolve to lawsuits? Does the agency AAG (the entity receiving the filing) confer with other key agency representatives on the nature of the lawsuit, general information on defense strategies or other legal aspects, etc.?
  Note: An agency may never have had a lawsuit, but procedures should be in place to immediately notify key agency representatives should one ever occur.
- Is there a crisis management type plan in place for claims or lawsuits that involve high profile issues or situations (e.g., a death, traumatic injury, etc.), especially as applies to coordinating media requests for information?
- Have agency representatives been identified and a process established to coordinate with OFM-RMD's Loss Prevention Review Team program should a major loss occur to the agency and a loss prevention investigation be conducted?
- Do program managers need training/orientation and/or briefings on the financial impact tort losses have on the agency (i.e., cost of premiums, breakdown of claim and defense costs).
- Are risk management goals or achievements captured in agency business documents?
- Are risk management goals or achievements discussed in agency news forums, e.g., newsletters, e-mail distribution, management team meetings, monthly (quarterly) reports, etc.

Summary: Effectively managing risk requires *establishing* lines of communication within the agency with key agency staff. Agencies should also consider developing policies and procedures pertaining to communications outside of the agency if information about incidents or claims is requested by external sources.

Objectives: To proactively establish and implement effective lines of communication among all entities impacted by tort loss (budget, HR, AAG, risk manager/coordinator, safety/security, program managers, facilities, etc.) to manage current loss and prevent/mitigate future loss. It's also important so that the agency can proactively respond to external requests for information relative to agency loss.

Resources: See the "*Loss Prevention Guide*" and "*Risk Self-Assessment Guide*" on the OFM Risk Management Division website at http://www.ofm.wa.gov/rmd/index.htm and the *Risk Identification: A Guide for Small Public Entities*" publication at the Public Entity Risk Management Institute (PERI) website at http://www.riskinstitute.org/.

Potential Goals	Measure
1. Assess adequacy of agency communication and coordination pertaining to tort claims from the claim (or lawsuit) filing to resolution to include: Risk Manager, HR, Budget, Facilities, AAG, Safety & Health, Security, high-risk program managers, etc.	1. Assessment completed of current communication lines for all agency staff pertaining to agency tort loss. 2. Indicated changes implemented. 3. Process established for periodic updates if a communication strategy is already in place.
2. Assess adequacy of agency's incident response plan (particularly as applies to media management of high profile incidents such as serious accidents, a death, etc,	1. Assessment of agency's readiness to address high profile incidents completed. 2. If improvements are identified, goals are established and implemented.
3. Determine strategies for keeping risk management high profile within the agency (including during periods of minimal loss). Determine if a recognition process for loss prevention is appropriate.	1. A method (s) to communicate risk management/loss prevention progress (favorable or not) is established.

4. Risk Identification

- Has the agency reviewed historical claims data to identify primary areas of tort loss (also a requirement for budget preparation)? Does the analysis include a review of both frequency (number of claims) and severity (the cost)?
- Has the agency prioritized loss prevention strategies by risks to determine those that may require long-term implementation strategies vs. those requiring shorter timeframes for implementation? Create goals for both categories.
- Are there specific programs, departments, sections, or activities of the agency that have generated the majority of historical loss and where additional analysis is required?
- Have the circumstances that resulted in these past losses (even if there were no payouts or the payout was for defense cost only) changed in some way to mitigate or eliminate future loss of this type—in other words loss prevention strategies implemented?
- Potential risks common to all agencies are (1) auto accidents, (2) personnel practices such as sexual harassment, discrimination, wrongful discharge, etc. Have policies and procedures in these two areas been assessed to determine if current risk mitigation strategies are sufficient?
- Does the agency maintain state-owned facilities that have access by the public? This is an area for the traditional kinds of losses that involve facilities such as slips and falls on floors, parking lot injuries, etc. Are there facilities-related issues that are potential goals?
- Another area of risk that has resulted in costly claims and could potentially impact all agencies is not following established policies and procedures. Have claims or lawsuits from claims been filed regarding failure to follow agency policies and procedures? If so, have these been analyzed to identify strategies for mitigating future risk? Even without a history of these types of claims, are there agency policies or procedures that need to be reviewed, updated, changed, eliminated, be more explicit/flexible, etc.? Policy and procedure review may require prioritizing, especially for large agency. Attorney General guidance and review will help in eliminating current risk and any new potential risks associated with policy changes.
- Has the agency recently added programs or acquired additional responsibilities for serving the public? Have these new responsibilities (programs) been critically reviewed to determine what potential risks they bring?
- Are there risks that have been minimal in the past but could escalate with given circumstances? Or could these new risks impact the agency significantly due to expanded liability interpretations of recent court cases?
- Has there been communication with agency AAGs? Do they have advice on areas of risk prevention or mitigation to concentrate on for goal setting purposes?

Summary: Looking at historical claims data is one way to identify an agency's risk, followed by questions on whether the agency has taken appropriate action to prevent/mitigate future risk in those areas. Auto accident and employment practices claims are two areas of risk that could potentially impact all agencies, regardless of size. Beyond that agencies need to explore their missions and mandates to determine programs, departments, or functions for current and future risk. Case law and AG input may offer important insights to risks that can be managed with loss prevention strategies.

Objectives: *Prevent Loss*: To prevent or mitigate trauma, injuries or damages to citizens/employees that ultimately impact the financial stability of the State of Washington and its overall effectiveness in providing quality services to its citizens.

*Resources***:** See the "*Loss Prevention Guide"* and "*Risk Self-Assessment Guide"* on the OFM Risk Management Division website at http://www.ofm.wa.gov/rmd/index.htm and the *Risk Identification: A Guide for Small Public Entities"* publication at the Public Entity Risk Management Institute (PERI) website at http://www.riskinstitute.org/.

Potential Goals	Measure
1. Conduct a partial or full risk self-assessment using RMD's *Self-Assessment Guide.* The *Risk Identification: A Guide for Small Public Entities* is another helpful guide for this process. (See the resources list to access this guide.)	1. Completed assessment with a report of findings, recommendations, and implementation plan. 2. Implementation plan completed.
2. Conduct a risk self-assessment of a major division/department/program or specific risks where there has been previous loss or has potential for future loss.	Same as above.
3. Identify specific prevention strategies on previous losses that still require action.	Agency-specific risk reduction goals identified and prevention action completed (samples): • speed bump is added to parking lot to slow traffic in a congested area (mirror placed in blind spot, or similar safety measures) • new policy requires all managers to complete sexual harassment training is implemented/communicated to all staff • employees who drive as part of their job are identified and initial defense driver training provided • a vehicle accident prevention program is implemented (consisting of a number of measures to reduce vehicle accidents) • review of a specific policy/procedure that resulted in a prior lawsuit is completed, changes recommend, AAG reviewed, and implementation plan carried out
4. Conduct a review or risk self-assessment of potential future risks in new programs or upcoming change in agency activities.	1. A risk self-assessment is completed. 2. Recommendations made. 3. Strategies implemented.